

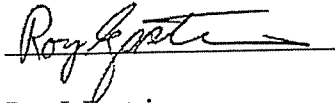


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## I. INTRODUCTION AND SUMMARY

1. My name is Roy J. Epstein. I previously submitted an expert report in this matter on July 14, 2006.
2. I have been asked by counsel for Counterclaim-Claimant Procaps L.P. ("Procaps") to respond to the expert report submitted by Glenn Newman and Stephen Scherf ("Newman/Scherf") on behalf of Counterclaim-Respondent National Paintball Supply, Inc. ("NPS") on July 14, 2006. The documents I relied upon for this analysis include those listed in my earlier report as well as those identified in Exhibit 1.
3. My conclusions can be summarized as follows:
  - Newman/Scherf do not opine on whether NPS was actually able to pay in full the overdue amounts owed to Procaps on either June 30, 2005 or July 31, 2005. They provide no support for their assertions of what constitutes "adequate assurance." Nor do they opine that NPS actually communicated the information to Procaps that Messrs. Newman and Scherf consider would have constituted adequate assurances of performance.
  - The Newman/Scherf analysis of lost paintball sales is unreliable and arbitrary. It ignores depressed industry conditions in 2005-06, fails to document the basis for the assumed level of profitability, and has no independent support for the assumption that NPS sales will remain depressed by 40 percent until September, 2011.
  - The Newman/Scherf analysis of "price erosion" for paintballs is unreliable and confused. It fails to distinguish margin reduction due to price erosion (i.e., reduction in selling price) from margin reduction due to increases in costs. It also fails to consider whether the small decline in average selling prices they report since June 2005 reflects product mix issues (e.g., greater sales of lower priced "white box" paintballs) instead of actual price erosion on specific products.

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A handwritten signature in black ink, appearing to read "Roy J. Epstein", written over a horizontal line.

Roy J. Epstein  
August 11, 2006

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**Exhibit 1**

**List of Supplemental Documents Relied Upon**

NPS – 066905 – 066953

PNC 1687 - 4839

PRO 39347

PRO 40294

PRO 2023431 – 3472

2005 10(K) filed by K2, Inc.

Expert Report of Glenn Newman and Stephen Scherf dated July 14, 2006

Documents listed on Exhibit B to NPS' Expert Report